首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$8,523 million, down 18% from last period.

– Loss attributable to shareholders was HK$619 million.

– Group EBITDA was HK$165 million, down 83% from last period.

– Basic loss per share was HK6.9 cents.

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Revenue	3	**8,523,737**	10,445,482
Cost of sales		**(9,040,584)**	(10,123,782)
Gross (loss) profit		**(516,847)**	321,700
Other income		**29,900**	28,769
Other gains and losses		**30,772**	(13,926)
Change in fair value of derivative financial instruments		**68,547**	194,729
Distribution and selling expenses		**(46,575)**	(80,270)
Administrative expenses		**(282,650)**	(246,017)
Finance costs		**(354,881)**	(281,081)
Share of results of associates		**233,742**	274,738
(Loss) profit before taxation		**(837,992)**	198,642
Income tax credit (expense)	4	**1,238**	(32,030)
(Loss) profit for the period	6	**(836,754)**	166,612
Other comprehensive (expense) income			
Exchange differences arising on translation		**(33,328)**	71,483
Loss on investments in equity instruments designated as at fair value through other comprehensive income		**(17,770)**	–
Fair value loss on available-for-sale investments		**–**	(77,994)
Release on deemed disposal of partial interest in an associate		**–**	(20)
Share of other comprehensive (expense) income of associates			
Exchange differences arising on translation		**(26,697)**	69,799
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income		**(102,907)**	–
Fair value loss on available-for-sale investments		**–**	(57,072)
Other comprehensive (expense) income for the period		**(180,702)**	6,196
Total comprehensive (expense) income for the period		**(1,017,456)**	172,808

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(619,494)**	214,123
Non-controlling interests		**(217,260)**	(47,511)
		(836,754)	166,612
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(792,353)**	203,243
Non-controlling interests		**(225,103)**	(30,435)
		(1,017,456)	172,808
(Loss) earnings per share	8		
– Basic		**(6.92) HK cents**	2.62 HK cents
– Diluted		**(6.92) HK cents**	2.61 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 June 2012

	Notes	**30 June 2012 *HK$'000* (unaudited)**	31 December 2011 *HK$'000* (audited)
NON-CURRENT ASSETS			
Investment properties		**31,077**	41,835
Property, plant and equipment		**11,828,650**	12,179,608
Prepaid lease rentals		**351,634**	359,937
Mining assets		**182,929**	184,825
Goodwill		**146,015**	146,015
Interests in associates		**7,504,718**	7,573,677
Equity investments	9	**168,573**	–
Available-for-sale investments	9	**–**	187,836
Deferred tax assets		**45,842**	45,822
Other financial assets		**750,810**	585,738
Deposits for acquisition of property, plant and equipment		**53,516**	84,268
Pledged bank deposits		**–**	467,547
		21,063,764	21,857,108
CURRENT ASSETS			
Inventories		**4,050,692**	4,068,485
Trade and bill receivables	10	**2,124,328**	2,896,781
Trade receivables from related companies	11	**728,019**	966,230
Prepayments, deposits and other receivables		**744,636**	908,807
Prepaid lease rentals		**8,350**	7,912
Tax recoverable		**1,276**	–
Amounts due from related companies	11	**5,246**	55,476
Amount due from an associate		**9,404**	10,750
Amount due from a non-controlling shareholder of a subsidiary		**3,702**	3,702
Amount due from ultimate holding company of a shareholder	12	**9,307**	4,610
Other financial assets		**123,030**	308,102
Restricted bank deposits		**609,824**	502,600
Pledged bank deposits		**696,735**	123,396
Bank balances and cash		**825,989**	1,846,927
		9,940,538	11,703,778

	Notes	**30 June 2012** *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
CURRENT LIABILITIES			
Trade and bill payables	13	**3,274,392**	3,684,954
Trade payables to related companies	11	**264,103**	296,968
Trade payables to ultimate holding company of a shareholder	12	**2,996,410**	2,849,955
Other payables, provision and accrued liabilities		**1,486,355**	1,522,858
Tax payable		**203,647**	208,484
Amounts due to related companies	11	**336,688**	380,685
Loan from a related company	11	**222,649**	–
Amount due to ultimate holding company of a shareholder	12	**102,019**	103,069
Bank borrowings – due within one year		**10,306,209**	9,986,483
Other financial liabilities		**4,591**	5,173
Loans from ultimate holding company of a shareholder		**999,634**	1,009,995
		20,196,697	20,048,624
NET CURRENT LIABILITIES		**(10,256,159)**	(8,344,846)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,807,605**	13,512,262
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**679,653**	2,363,941
Deferred tax liabilities		**30,750**	33,034
		710,403	2,396,975
		10,097,202	11,115,287
CAPITAL AND RESERVES			
Share capital		**1,790,661**	1,790,661
Share premium and reserves		**7,566,796**	8,357,720
Equity attributable to owners of the Company		**9,357,457**	10,148,381
Non-controlling interests		**739,745**	966,906
		10,097,202	11,115,287

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company and its subsidiaries (collectively referred to as the "Group") had net current liabilities of HK$10,256,159,000 as at 30 June 2012 of which current liabilities of HK$10,306,209,000 were attributable to bank borrowings due within one year. Taking into account the financial resources of the Group, including the Group's unutilised banking facilities, the Group's ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate holding company of the major shareholder of the Company, Shougang Corporation, the Directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligation as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and

- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets.*

In addition, the Group has applied HKFRS 9 *Financial Instruments* (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective date of 1 January 2015 in the current period.

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios which are located in the PRC and Hong Kong.

The Directors concluded that the Group's investment properties which are located in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is rebutted.

For the investment properties located in Hong Kong, the Directors concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group continues to recognise deferred taxes on changes in fair value of investment properties located in the PRC on the basis that reflects the tax consequences follow from the manner in which the entity expects to recover the carrying amount of the assets. For the investment properties located in Hong Kong, upon application of the amendments to HKAS 12, no deferred tax should be provided on changes in fair value of these investment properties as the Group is not subject to any income taxes on disposal of these investment properties. The previously recognised deferred taxes on changes in fair value of the investment properties located in Hong Kong of approximately HK$314,000 as at 31 December 2011 is not adjusted retrospectively, as the amount is not significant. The Directors considered that the application of the amendments of HKAS 12 have had no material effect on the Group's result and financial position for the current and prior periods.

Impact of application of HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* ("HKFRS 9") (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates of 1 January 2015. The Group has chosen 1 January 2012 as its date of initial application (i.e. the date on which the Group has reassessed the classification of its financial assets and financial liabilities in accordance with requirements of HKFRS 9). The classification is based on the facts and circumstances as at 1 January 2012. In accordance with transition provisions set out in HKFRS 9, the Group has chosen not to restate comparative information and will provide additional disclosures in accordance with HKFRS 7 *Financial Instruments – Disclosures* in the annual consolidated financial statements for the year ended 31 December 2012, any difference between the measurement under HKAS 39 "*Financial Instruments: Recognition and Measurement*" and HKFRS 9 as at 1 January 2012 is recognised in the opening accumulated profits and security investment reserve at the date of initial application. HKFRS 9 does not apply to financial assets and financial liabilities that have already been derecognised at date of initial application. Other than the changes in classification of certain financial assets, the changes in accounting policies had no material financial impact on the amounts recognised on the consolidated statement of financial position of the Group as at 1 January 2012.

Financial assets

HKFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement*. Specifically, HKFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by HKFRS 9, debt instruments and hybrid contracts are subsequently measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (collectively referred to as the "amortised cost criteria"). If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss ("FVTPL").

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income ("FVTOCI"). If the equity investment is designated as at FVTOCI, all gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognised in profit or loss in accordance with HKAS 18 *Revenue*.

As at 1 January 2012, the Directors have reviewed and reassessed the Group's existing financial assets based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets and concluded that the Group's financial assets previously classified as "loans and receivables" under HKAS39 are held within a business model whose objective is to hold these financial assets in order to collect contractual cash flows that are solely payments of principal and interest. In addition, the Directors concluded that the Group's investments in equity securities that previously classified as available-for-sale investments under HKAS 39 are not held for trading, but held for medium or long-term strategic purpose. Therefore, the investments in equity securities are designated as at FVTOCI under HKFRS 9 as the Directors believe that this provides a more meaningful presentation than reflecting changes in fair value in profit or loss.

The initial application of HKFRS 9 has affected the classification of financial assets of the Group and its associate, Shougang Fushan Resources Group Limited ("SG Resources") and the Group's security investment reserve and accumulated profits as at 1 January 2012 as follows:

(i) the Group's investments in listed equity securities (not held for trading) that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI. As at 1 January 2012, at the date of initial application, the cumulated impairment loss of listed equity securities of HK$144,568,000 that had been reclassified from security investment reserve to profit or loss upon impairment in prior periods under HKAS 39 is now reclassified from the opening accumulated profits to security investment reserve. Accordingly, as at 1 January 2012, the accumulated profits have been increased by HK$144,568,000 and the security investment reserve has been decreased by the same amount;

(ii) The Group's investment in unlisted equity securities (not held for trading) previously classified as available-for-sale investment and measured at cost less impairment under HKAS 39 have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2012. The fair value measurements of the Group's unlisted equity securities are grouped into Level 3, which are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs);

(iii) The investment in listed equity securities (not held for trading) of SG Resources that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI; and

(iv) The investment in unlisted equity securities (not held for trading) of SG Resources previously classified as available-for-sale investment and measured at cost less impairment under HKAS 39 have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2012. The fair value measurements of SG Resources' unlisted equity securities are grouped into Level 3, which are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The list below illustrates the classification and measurement of the financial assets under HKAS 39 and HKFRS 9 at 1 January 2012, the date of initial application.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39** *HK$'000*	**New carrying amount under HKFRS 9** *HK$'000*
Investments in listed equity securities *(Note 9)*	Available-for-sale investments	Financial assets designated as at FVTOCI	42,228	42,228
Investments in unlisted equity securities *(Note 9)*	Available-for-sale investments	Financial assets designated as at FVTOCI	145,608	145,608
Other financial assets: Commodity forward contracts	Financial assets at FVTPL	Financial assets at FVTPL	893,840	893,840
Trade and bill receivables *(Note 10)*	Loans and receivables	Financial assets at amortised cost	2,221,527	2,221,527
Trade receivables from related companies *(Note 11)*	Loans and receivables	Financial assets at amortised cost	966,230	966,230
Other receivables	Loans and receivables	Financial assets at amortised cost	681,362	681,362
Amounts due from related companies *(Note 11)*	Loans and receivables	Financial assets at amortised cost	55,476	55,476
Amount due from an associate	Loans and receivables	Financial assets at amortised cost	10,750	10,750
Amount due from a non-controlling shareholder of a subsidiary	Loans and receivables	Financial assets at amortised cost	3,702	3,702
Amount due from ultimate holding company of a shareholder	Loans and receivables	Financial assets at amortised cost	4,610	4,610
Restricted bank deposits	Loans and receivables	Financial assets at amortised cost	502,600	502,600
Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	590,943	590,943
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	1,846,927	1,846,927

The application of HKFRS 9 has affected the Group's results, other comprehensive expense, security investment reserve and accumulated profits in the current period as follows:

Listed equity securities held by the Group and its associate were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI. During the current period, an impairment loss of HK$17,770,000 and HK$931,519,000 for the listed equity securities held by the Group and its associate, respectively, would have been provided under HKAS 39 in relation to these investments due to further decline in fair values of these investments during the current interim period. The fair value loss of these investments are recognised as other comprehensive expense and are included in security investment reserve of the Group and its associate under HKFRS 9. Accordingly, the other gains and losses has been increased by HK$17,770,000 and the share of result of associates has been increased by HK$267,145,000 with regard to the equity interest of the associate held by the Group, and the other comprehensive expense has been increased by HK$284,915,000 for the six months ended 30 June 2012. In addition, the accumulated profits as at 30 June 2012 has been increased by approximately HK$284,915,000 while the loss reported for the six months ended 30 June 2012 and the security investment reserve as at 30 June 2012 would have been decreased by HK$284,915,000 as a result of the change in accounting policy. This would have also resulted in a decrease on both the Group's basic and diluted loss per share by HK3.18 cents for the six months ended 30 June 2012.

Financial liabilities

HKFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability.

In relation to the classification and remeasurement of financial liabilities, the application of HKFRS 9 has had no impact on the classification of financial liabilities of the Group and its associates and the Group's result and financial position as the Group and its associates do not have financial liabilities designated as at fair value through profit or loss under HKAS 39 that were subject to reclassification upon adoption of HKFRS 9.

3. SEGMENT INFORMATION

The Group's operating segments based on information reported to the Executive Directors of the Company, being the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

Steel manufacturing	– manufacture and sale of steel products;
Shipping operations	– vessel chartering and the leasing of floating cranes;
Commodity trading	– trading of steel products, iron ore, coal and coke;
Mineral exploration	– mining, processing and sale of iron ore; and
Others	– management services business.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2012 (unaudited)

	Steel manufacturing *HK$'000*	**Shipping operations** *HK$'000*	**Commodity trading** *HK$'000*	**Mineral exploration** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue						
External sales	**6,053,801**	**57,633**	**1,963,871**	**446,686**	**1,746**	**8,523,737**
Inter-segment sales	**29,628**	**–**	**–**	**544,673**	**–**	**574,301**
Segment revenue	**6,083,429**	**57,633**	**1,963,871**	**991,359**	**1,746**	**9,098,038**
Elimination						**(574,301)**
Group revenue						**8,523,737**

Inter-segment sales are charged at prevailing market rates.

Segment (loss) profit	**(655,461)**	**(18,639)**	**(34,015)**	**(35,829)**	**3,045**	**(740,899)**
Interest income						**22,578**
Central administration costs						**(32,237)**
Finance costs						**(354,881)**
Gain from change in fair value of derivative financial instruments						**582**
Gain on deemed acquisition of interests in an associate						**17,564**
Gain on disposal of a subsidiary						**15,559**
Share of results of associates						**233,742**
Loss before taxation						**(837,992)**

Six months ended 30 June 2011 (unaudited)

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Commodity trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue						
External sales	7,305,940	57,329	2,413,345	667,122	1,746	10,445,482
Inter-segment sales	7,389	–	–	430,641	–	438,030
Segment revenue	7,313,329	57,329	2,413,345	1,097,763	1,746	10,883,512
Elimination						(438,030)
Group revenue						10,445,482

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing	Shipping operations	Commodity trading	Mineral exploration	Others	Total
Segment profit (loss)	33,215	(16,555)	213,584	6,329	(3,578)	232,995
Interest income						12,627
Central administration costs						(38,265)
Finance costs						(281,081)
Loss from change in fair value of derivative financial instruments						(2,328)
Loss on dilution of interests in an associate						(44)
Share of results of associates						274,738
Profit before taxation						198,642

Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, finance costs, gain or loss from change in fair value of interest rates swap contracts and foreign currency forward contracts, gain on disposal of a subsidiary, gain on deemed acquisition of interests in an associate, loss on dilution of interests in an associate, and share of results of associates. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

4. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**–**	428
PRC Enterprise Income Tax	**807**	1,959
	807	2,387
Underprovision in prior periods:		
PRC Enterprise Income Tax *(Note)*	**136**	31,713
	943	34,100
Deferred tax:		
Current period	**(2,181)**	(2,070)
Income tax (credit) expense	**(1,238)**	32,030

No tax is payable on the profit for the six months ended 30 June 2012 arising in Hong Kong since there is no assessable profits.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2011.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Note: The underprovision of PRC Enterprise Income Tax for the six months ended 30 June 2011 mainly attributable to the disallowance of the preferential tax treatment in relation to the proportion of profit attributable to the new capital injected in 2008 under the EIT Law for a subsidiary in the PRC in relation to the year ended 31 December 2008, as notified by the State Administration of Taxation during the six months ended 30 June 2011.

5. DISPOSAL OF A SUBSIDIARY

On 27 March 2012, the Group entered into a sale and purchase agreement with an independent third party (the "Acquirer") to dispose of its entire interest in Shougang Concord Godown Limited ("Godown"), a wholly-owned subsidiary, to the Acquirer. The disposal was completed on 2 April 2012, when the Group lost control of Godown.

	HK$'000 (unaudited)
The net assets of Godown at the date of disposal were as follows:	
Investment properties	10,476
Property, plant and equipment	645
Prepaid lease rentals	822
Net assets disposed of	11,943
Gain on disposal of a subsidiary:	
Consideration received	27,502
Net assets disposed of	(11,943)
Gain on disposal *(Note)*	15,559
Consideration satisfied by:	
Cash	27,502
Cash inflow arising on disposal:	
Cash consideration received	27,502

Note: The gain on disposal of Godown is mainly attributable to the leasehold land previously held for owner-occupation which was recognised as prepaid lease rentals and measured at cost.

An amount of revaluation reserve of HK$4,987,000, represented the difference between the carrying value and fair value of the prepaid lease rentals arisen from the transfer from prepaid lease rentals to investment property as its use had changed as evidenced by end of owner-occupation in previous years, was transferred directly to accumulated profits upon disposal of Godown.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**249,843**	223,225
– retirement benefits scheme contributions	**33,682**	25,175
– share-based payments	**1,429**	9,829
	284,954	258,229
Amortisation of mining assets, included in cost of sales	**–**	1,826
Amortisation of prepaid lease rentals	**4,203**	4,153
Depreciation of property, plant and equipment	**426,438**	424,972
Total depreciation and amortisation	**430,641**	430,951
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**(787)**	–
– change in fair value of interest rate swap contracts	**205**	2,328
– change in fair value of commodity forward contracts	**(67,965)**	(197,057)
	(68,547)	(194,729)
Fair value of commodity forward contracts upon delivery, included in cost of inventories	**87,965**	77,057
Interest expenses for bank borrowings	**329,741**	255,701
Interest expenses for other borrowings	**32,059**	23,335
Total borrowing costs	**361,800**	279,036
Add: Factoring cost for discounted receivables	**38,162**	30,715
Less: Amounts capitalised *(Note a)*	**(45,081)**	(28,670)
Total finance costs	**354,881**	281,081
Reversal of allowance for doubtful debts of trade receivables, net *(Note b)*	**(382)**	(234)
Reversal of allowance for doubtful debts of trade receivables from related companies, net *(Note b)*	**–**	(75)
Allowance for (reversals of) inventories, net, included in cost of sales *(Note c)*	**107,054**	(7,382)
Interest income from bank deposits	**(22,578)**	(12,627)
(Gain) loss on disposal of property, plant and equipment *(Note b)*	**(18)**	1,276
Loss on dilution of interests in an associate *(Note b)*	**–**	44
Gain on deemed acquisition of interests in an associate *(Note b and d)*	**(17,564)**	–
Gain on disposal of a subsidiary *(Note b)*	**(15,559)**	–
Other tax expenses	**20,730**	17,654
Research and development cost recognised as expenses, included in administrative expenses	**10,041**	6,143
Net foreign exchange loss *(Note b)*	**2,751**	12,915

Note a: Borrowing costs capitalised during the six months ended 30 June 2012 arose from general borrowing pool and are calculated by applying a capitalisation rate of 5.01% (six months ended 30 June 2011: 4.34%) per annum to expenditure on qualifying assets.

Note b: Amounts included in other gains and losses.

Note c: During the six months ended 30 June 2012, the net realisable value of certain inventories fell below their respective costs because of the decline in selling prices. As a result, an allowance for inventories of HK$107,054,000 has been recognised in cost of sales in the current period.

Note d: During the six months ended 30 June 2012, the Group's interest in an associate, SG Resources has been increased by 0.39% from 27.22% to 27.61% as SG Resources has repurchased its own shares, resulting in the Group's share of net assets of SG Resources increased by HK$17,564,000 and credited as gain on deemed acquisition.

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period.

During the interim period ended 30 June 2011, a final dividend of HK1 cent per ordinary share in respect of year ended 31 December 2010 was paid to the owners of the Company. The aggregate amount of the final dividend paid in the interim period ended 30 June 2011 amounted to HK$81,754,000.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share:		
(Loss) profit for the period attributable to owners of the Company	**(619,494)**	214,123
Effect of dilutive potential ordinary shares of associates:		
Adjustment to the share of profits of associates based on dilution of their earnings per share	**(146)**	(469)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(619,640)**	213,654

	Six months ended 30 June **2012**	2011
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	**8,953,306,227**	8,175,381,214
Effect of dilutive potential ordinary shares on share options *(Note)*	**–**	9,135,577
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**8,953,306,227**	8,184,516,791

Note: For the six months ended 30 June 2012, the computation of diluted loss per share does not assume the exercise of the Company's share options as their exercise would result in a decrease in loss per share.

9. EQUITY INVESTMENTS/AVAILABLE-FOR-SALE INVESTMENTS

Equity investments/available-for-sale investments comprise:

	30 June 2012 ***HK\$'000*** **(unaudited)**	31 December 2011 *HK\$'000* (audited)
Listed investments:		
– Equity securities listed in Australia, at fair value	**24,458**	42,228
Unlisted investments:		
– PRC equity securities, at fair value *(Note)*	**144,115**	–
– PRC equity securities, at cost *(Note)*	**–**	145,608
Total	**168,573**	187,836

Note: The unlisted PRC equity securities represent the Group's investment in 10% equity interest of unlisted equity securities issued by a private entity established in the PRC, for which the principal activities are ship building, ship repairing and retrofitting. The unlisted equity investments previously measured at cost less impairment under HKAS 39 are now measured at fair value under HKFRS 9. The fair value of the investment as at 1 January 2012 and 30 June 2012 was measured using valuation technique with significant unobservable inputs.

These investments in equity securities are not held for trading. Upon the application of HKFRS 9 on 1 January 2012, the Group's investments in listed and unlisted equity securities that were previously classified as available-for-sale investments have been classified as equity investments designated as at FVTOCI. The Group has chosen to designate these investments in equity instruments as at FVTOCI as the management believes that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value in profit or loss.

10. TRADE AND BILL RECEIVABLES

For most customers, in particular in the business of steel manufacturing, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The Group allows a range of credit period to its customers normally not more than 60 days.

The following is an analysis of trade and bill receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**1,628,952**	2,224,290
61 – 90 days	**70,774**	170,118
91 – 180 days	**293,997**	428,451
181 – 365 days	**130,605**	73,922
	2,124,328	2,896,781

Included in trade and bill receivables as at 30 June 2012 was an amount of approximately HK$505,944,000 (31 December 2011: HK$675,254,000) that had been discounted to banks.

As at 30 June 2012, the outstanding bill receivables of approximately HK$207,643,000 (31 December 2011: HK$512,432,000) have been endorsed to certain creditors of the Group but continue to be recognised as bill receivables until maturity. At the end of the reporting period, all bill receivables are with maturity date within six months based on the issuance date of relevant bills.

11. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES/LOAN FROM A RELATED COMPANY

The amounts due from (to) related companies represent amounts due from (to) subsidiaries of Shougang Corporation, ultimate holding company of a shareholder of the Company (collectively referred as "Shougang Group"). The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days. The non-trade receivables/payables from (to) related companies are unsecured, interest-free and are repayable on demand.

The trade receivables from related companies and an aged analysis of such balances, net of allowance of doubtful debts, presented based on the invoice date at the end of the reporting period are as follows:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**247,785**	599,655
61 – 90 days	**127,136**	113,680
91 – 180 days	**350,806**	229,068
181 – 365 days	**1,234**	19,367
1 – 2 years	**1,058**	4,460
	728,019	966,230

The trade payables to related companies and an aged analysis of such balances, presented based on the invoice date at the end of the reporting period, are as follows:

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
0 – 90 days	**166,897**	202,232
91 – 180 days	**23,574**	18,765
181 – 365 days	**25,579**	12,111
1 – 2 years	**9,233**	43,718
Over 2 years	**38,820**	20,142
	264,103	296,968

As at 30 June 2012, the loan from a related company is unsecured, interest bearing at 6% per annum and repayable within one year.

12. TRADE PAYABLES/AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

As at 30 June 2012 and 31 December 2011, the amount due from ultimate holding company of a shareholder is non-trade in nature, unsecured, interest-free and is repayable on demand.

The trade payables to ultimate holding company of a shareholder are unsecured, interest-free and repayable within 60 days. The non-trade payable to ultimate holding company of a shareholder is unsecured, interest-free and is repayable on demand.

The trade payables to ultimate holding company of a shareholder and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period as follows:

	30 June 2012 *HK$'000* **(unaudited)**	31 December 2011 *HK$'000* (audited)
Within 90 days	**2,996,272**	2,731,018
91 – 180 days	**–**	118,797
1 – 2 years	**138**	140
	2,996,410	2,849,955

13. TRADE AND BILL PAYABLES

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period:

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**2,364,163**	2,647,314
91 – 180 days	**714,833**	705,341
181 – 365 days	**131,538**	275,657
1 – 2 years	**60,632**	46,038
Over 2 years	**3,226**	10,604
	3,274,392	3,684,954

14. COMPARATIVE INFORMATION

Certain comparative information in respect of trade and bill receivables, trade and bill payables and bank borrowings has been re-presented to conform to current period presentation in the condensed consolidated statement of financial position.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

We are a flagship listed vehicle of China Shougang Corporation in Hong Kong. Currently, our operations are mainly segregated into four segments, namely, steel manufacturing, mineral exploration, commodity trading and shipping. Our principal business in steel manufacturing segment includes two heavy plate mills operating in Qinhuangdao City, Hebei, PRC. We hold approximately 28% (30 June 2011: 24%) equity stake of Shougang Fushan Resources Group Limited ("Fushan"), a Hong Kong-listed hard coking coal producer in China and approximately 68% equity stake in a PRC iron ore producer. We have long-term iron ore offtake agreements with Australia-listed iron ore producer Mount Gibson Iron Limited ("Mt. Gibson") to enhance our investment in upstream supply chain. In addition, we own a deep processing centre on steel products to extend our operation to the downstream value chain. Such vertical integration strategy is advantageous in enhancing the heavy plate manufacturing operation of the Group.

PERFORMANCE REVIEW

The Group's core business in steel manufacturing was significantly affected by the persistently high raw material cost, selling prices coming under pressure and weak downstream customer demand in the first half of 2012. These factors are prevalent and common to the steel industry right now. Profit from the associate in coking coal mining showed a small decline as well. Raw materials, in particular iron ore, comprise our most significant production cost. Iron ore cost has remained high during the period (although it has reduced significantly at the end of the period and comparing to that of last) and this had a major impact on our operating results. In addition, there is simply too much steel capacity facing weak underlying demand.

For the first six months in 2012, net loss attributable to shareholders amounted to HK$619 million, comparing to attributable profit of HK$214 million in the last period, including share of loss in steel manufacturing segment at HK$747 million, comparing to HK$187 million in the last. The Group recorded a consolidated turnover of HK$8,524 million in this period, representing a drop of 18% comparing to that of last. Basic loss per share was HK6.9 cents.

FINANCIAL REVIEW

Six months ended 30 June 2012 compared to the six months ended 30 June 2011

Turnover and Cost of Sales

For the interim period, the Group recorded consolidated turnover of HK$8,524 million, lower by about 18% when comparing to that of last. Lower turnover mainly comes from drop in average selling price ("ASP") and sales volume in the steel manufacturing segment.

Cost of sales for the period was HK$9,041 million, comparing to HK$10,124 million (as restated) in the last, a drop of 11%.

EBITDA and Core Operating Profit

For the interim period, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group reached HK$165 million, comparing to HK$958 million in the last.

(Loss)/profit after taxation included current significant non-cash and/or non-recurring charges and are reconciled below:

In HK$ million	**30 June 2012 (unaudited)**	30 June 2011 (unaudited)
(Loss)/profit attributable to shareholders of the Group	**(619)**	214
Add/Less: Fair value loss (gain) on iron ore offtake contract with Mt Gibson	**20**	(120)
Add: Employee share option expenses	**1**	10
Core operating (loss)/profit	**(598)**	104

Finance costs

For the interim period, finance costs amounted to HK$355 million, 26% higher than that of last period. The Group maintains a higher leverage currently to take advantage of the low interest environment.

Share of results of associates

In this interim period, we have recognized loss of HK$33 million and profit of HK$262 million from each of Shougang Concord Century Holdings Limited ("Shougang Century") and Fushan.

Taxation

In this interim period, it was HK$1 million in net tax credit, comparing to HK$32 million in expenses in the last.

REVIEW OF OPERATIONS

Summary of net profit/(loss) contribution to the group by operation/entity:

HK$'000		**For the six months ended 30 June**	
Operation/Entity	**Attributable interest**	**2012 (unaudited)**	2011 (unaudited)
1. Steel manufacturing			
Shouqin	76%	**(659,906)**	(146,197)
Qinhuangdao Plate Mill	100%	**(87,542)**	(40,458)
Sub-total		**(747,448)**	(186,655)
2. Mineral exploration			
Fushan	27.6%	**279,721**	265,184
Shouqin Longhui	67.8%	**(35,558)**	(15,841)
Sub-total		**244,163**	249,343
3. Commodity trading			
The Trading Group	100%	**(1,043)**	93,555
4. Shipping operations			
Shougang Shipping Group	100%	**(18,738)**	(19,928)
5. Others			
Shougang Century	35.7%	**(33,154)**	9,485
Fair value (loss)/gain on Mt. Gibson offtake contract	100%	**(20,000)**	120,000
Corporate	100%	**(43,274)**	(51,677)
Sub-total		**(96,428)**	77,808
Total		**(619,494)**	214,123

Steel manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"). The steel industry currently faces a dire operating environment which is a transitional conundrum. This core segment recorded net loss of HK$747 million during the current period, while that of last period was net loss HK$187 million. Summary of production and sales quantities of the two manufacturing plants in the current and last interim period under this segment is as follows:

In '000 mt.	**Slabs**		**Heavy Plates**	
For the six months ended 30 June	**2012**	2011	**2012**	2011
(i) Production				
Shouqin	**1,306**	1,280	**857**	855
Qinhuangdao Plate Mill	**–**	–	**292**	334
Total	**1,306**	1,280	**1,149**	1,189
Change		+2%		–3%
(ii) Sales				
Shouqin#	**319**	326	**850**	849
Qinhuangdao Plate Mill	**–**	–	**258**	319
Total	**319**	326	**1,108**	1,168
Change		–2%		–5%

Difference between production and sales of slabs is mainly represented by those consumed by Shouqin internally to produce heavy plates; slab sales are mainly made towards Qinhuangdao Plate Mill and are eliminated on consolidation

Shouqin

The Group holds an effective interest of 76% in Shouqin (52% held by the Group directly and 24% through Qinhuangdao Plate Mill), the remaining 20% and 4% were held by Hyundai Heavy Industries Limited and Shougang Corporation respectively.

Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production, it has formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, hydro-electrical and ultra-thick plates are among the most advanced in the PRC, its annual production capacity of heavy plate has reached 1.8 million tonnes. For the current interim period, Shouqin reported a turnover of HK$5,742 million before elimination, recording a 10% drop on the comparative period. Reasons for such change are two-fold:

(i) Sales volume of heavy plates flattens, ASP (net of VAT) was HK$5,250 (RmB 4,280), about 15% lower than that of the last period; and

(ii) Sales volume of slabs decreased, ASP (net of VAT) was HK$4,040 (RmB 3,293), about 17% lower than that of the last period.

Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. This entity recorded HK$120 million in turnover, 70% lower than that of last, and resulted in attributable loss of HK$27 million in the interim period.

For the six months ended 30 June 2012, Shouqin recorded a gross loss of HK$407 million, comparing to gross profit of HK$167 million in the last period, and thus contributed a net loss of HK$660 million to the Group.

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$1,566 million before elimination for the six months ended 30 June 2012, a drop of 27% comparing with that of last. Lower sales volume and selling price from the weak market, ASP (net of VAT) was HK$4,736 (RmB 3,860), about 17% lower than that of last period. As a result, the Group's share of loss of Qinhuangdao Plate Mill was HK$88 million, comparing to loss of HK$40 million last period.

Mineral exploration

Production and sale of coking coal

Fushan is a 27.6% held associate of the Group and is a major hard coking coal producer in China, currently operating three premium coking coal mines in Shanxi, PRC with an annual production capacity of over 6 million tonnes. Its consolidated turnover for the current period was HK$3,339 million; net profit attributable to shareholders was HK$1,006 million, a drop of 14% and 11% respectively over that of last. Profit attributable to the Group was HK$280 million in this period, which includes deemed acquisition gain of HK$18 million.

Market demand towards quality coking coal remains strong, with continuing supply and demand gap. New and sizeable blast furnaces of steel mills have higher stringent requirements for coking coal quality, supporting selling price well. We are confident towards its future operations, expecting this upstream business to provide a sustainable profit base for the Group.

Production of iron ore products

The Group holds an effective 68% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd. ("Shouqin Longhui") which is situated in Qinglong County, Qinhuangdao City, Hebei, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

In the interim period, Shouqin Longhui's production was lower by improvement initiatives towards environmental requirements, thereby affecting its output. It sold approximately 690,000t. pellets, similar to that of last period, while ASP has decreased by 15% to HK$1,372 (RmB 1,118). It recorded a turnover of HK$991 million for the period, loss attributable to the group was about HK$36 million, comparing to loss of HK$16 million in the last.

Iron ore market is expected to weaken following that of steel industry in general, we expect the results of Shouqin Longhui to remain sluggish in the short term.

Commodity trading ("Trading")

Our Trading operations are jointly conducted by SCIT Trading Limited and Shougang Concord Steel Holdings Limited and its subsidiaries ("The Trading Group"), both of which are wholly owned by the Group. The Trading Group reported a turnover of HK$1,964 million in the six months ended 30 June 2012, lower by 19% comparing to the last. It sold approximately 1.4 million tonnes of iron ore, which was higher from the 1.25 million tonnes sold from that of last period, through long term offtake arrangements with Mt. Gibson starting from 1 July 2009. Selling price was lower by 25% and profit was hit by offering concessions due to a deteriorated market. Trading of other steel products still recorded a small gain. The resulting net loss was HK$1 million in the current period, comparing to a gain of HK$94 million in the last. The Trading Group has since this year strengthened its business development in the Mainland; results from this operation are expected to be more favorable in the foreseeable future.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") reported a net loss of HK$19 million in the current period, comparing to a net loss of HK$20 million in the last. This operating segment mainly conducts chartering services of two capsized vessels, the lease contracts of which shall expire within this year. The weak rate environment is not just due to new build deliveries, demand growth has been decelerating ex-China.

Other business

Manufacture of steel cord for radial tyres; processing and trading of copper and brass products

Shougang Century, a 35.7% associate of the Group. The Group's share of its net loss was HK$33 million, comparing to share of profit of HK$9 million in the last period.

In the middle of excessive expansion of steel cord production capacity and overlapping construction, the resulting severe competition has driven profitability lower, resulting in a transitional conundrum.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

We aim to diversify our funding sources through utilization of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

1. Leverage

The financial leverage of the Group as at 30 June 2012 as compared to 31 December 2011 is summarized below:

HK$ million	**30 June 2012 (unaudited)**	31 December 2011 (audited)
Total Debt*		
– from banks	**10,688**	12,188
– from parent company	**1,000**	1,010
– from related company	**223**	–
sub-total	**11,911**	13,198
Cash and bank deposits	**2,133**	2,940
Net debt	**9,778**	10,258
Total capital (Equity and debt)	**21,268**	23,346
Financial leverage		
– Net debt to total capital	**46%**	44%
– Net debt to total assets	**32%**	31%

* excluding financing from discounted bills

2. Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group currency, interest rate and counterparty risks. Derivatives are only used primarily for managing such risks but not for speculative purposes. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and Mainland China, it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it via borrowings. For the six months ended 30 June 2012, approximately 76% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements. The Group also enters into certain interest rate swaps to mitigate interest rate risks. Notional amounts of such derivative instruments amounted to HK$195 million.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals during the interim period.

CAPITAL STRUCTURE

The Company did not issue any new shares during the interim period.

The issued share capital of the Company was HK$1,791 million (represented by 8,953 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,700 employees as at 30 June 2012.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and a hospitalization scheme. All of the subsidiaries of the Group in Hong Kong provide pension schemes to the employees. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

PROSPECTS

Steel manufacturing is a challenging yet foundation industry to the society. It is cyclical and will certainly be subject to factors such as economic fluctuations and raw material costs, which are beyond our control, it is difficult to see any reversal of industry supply-demand imbalance. In response to these challenges, we have been introducing measures to protect our core businesses. These included non-vital capex freeze, economical steel manufacturing, and maintenance outages under certain times. In the meantime, we continue to explore new markets on high-end products in different customer segments, such as petrochemical and wind power industries. Such efforts should be beneficial to the Group in the long term.

We do expect a pickup in industry profitability driven by stabilizing growth incentives, build-outs from infrastructure and social housing, for instance, should stimulate steel demand. We also continue to develop and promote our steel plates as customers' prime choice, improving product mix and leveraging our networks by the support of the parent company, Shougang Corporation, these shall improve our competitiveness.

A lower iron ore price recently is definitely welcomed if sustained. We will continue to take whatever measures to protect our shareholders' returns, managing the prevailing difficulties while remaining committed to our long term strategy. Our financial position is strong and we are equipped to deal with the current challenges. We will continue to look to the future to ensure success of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 30 June 2012, except for the following deviations:

- Under code provision A.6.7 of the Revised Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

  All of the three independent non-executive directors and one of the non-executive directors of the Company attended the annual general meeting of the Company held on 25 May 2012 (the "Meeting"). Three out of the four non-executive directors of the Company did not attend the Meeting due to other business engagements. The Company considers that the independent non-executive directors and the non-executive director in attendance at the Meeting were already of sufficient number and calibre of forming a balanced understanding of the views of the shareholders of the Company.

- Under the first part of code provision E.1.2 of the Revised Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

  The Chairman of the Board, who is also the chairman of the Nomination Committee of the Company, did not attend the Meeting as he had another business engagement. The Managing Director of the Company, who took the chair of the Meeting, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and all other members of each of the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By Order of the Board
Li Shaofeng
Managing Director

Hong Kong, 28 August 2012

As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Vice Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).